

Message Text

LIMITED OFFICIAL USE

PAGE 01 DACCA 01171 01 OF 02 090256Z
ACTION OPIC-06

INFO OCT-01 NEA-10 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 SP-02
LAB-04 SIL-01 OMB-01 SS-15 NSC-05 L-03 H-01 /080 W
-----090338Z 079957 /73
R 070905Z MAR 77
FM AMEMBASSY DACCA
TO SECSTATE WASHDC 3758

LIMITED OFFICIAL USE SECTION 1 OF 2 DACCA 1171

E.O. 11652: N/A
TAGS: EINV, BG
SUBJ: BELBAGCO: NATIONALIZATION COMPENSATION

REF: (A) STATE 30903, (B) BROWN/BORN LTR, JAN. 27, (C) STATE
36158

1. MISSION DELIVERED LETTER, DTD FEB 14 AND SIGNED
BY AID REGIONAL LEGAL ADVISOR (RLA) ROBERTSON TO IN-
DUSTRIES SECRETARY HUQ, WITH VERBATIM TEXT PARA 7, REFTEL A
AND BALANCE SHEETS RECEIVED UNDER COVER OF REF B LETTER.
ECON COUNSELOR AND RLA FOLLOWED UP WITH MEETING WITH
INDUSTRIES JOINT SECRETARY ZAINUL ABEDIN (RESPONSIBLE
FOR BELBAGCO) TO STRESS POINTS CONCERNING DISINVESTMENT
(PARA 3) AND IMPORTANCE OF MARCH 11 DEADLINE (PARA 8,
REFTEL A).

2. RLA FILED FEB 11 THE ORIGINAL TRANSFER DEEDS
AND DECLARATIONS OF TRUST FOR THE TWO SHARES OF
QUALIFYING STOCK OF PAKISTAN FABRIC CO., ALSO RECEIVED
UNDER COVER OF REF B, WITH RESPONSIBLE JOINT SECRETARY,
INDUSTRIES MINISTRY; LATTER ACKNOWLEDGED RECEIPT BY SIGN-
ING COPY OF MISSION LETTER OF TRANSMITTAL.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 DACCA 01171 01 OF 02 090256Z

2. WE DID NOT CONSIDER IT APPROPRIATE OR NECESSARY TO
HAVE AMBASSADOR DELIVER IN PERSON LETTER (REF A) TO
SECRETARY HUQ, SIGNED BY RLA. HOWEVER, AMBASSADOR RAISED
MATTER DIRECTLY WITH PRESIDENTIAL ADVISOR SAIFUR RAHMAN (TO WHOM
SECRETARY HUQ REPORTS). BDG IS ON CLEAR NOTICE THAT WE
CONSIDER COMPENSATION ISSUE MATTER OF URGENCY.

4. COMPENSATION AND DISINVESTMENT. WE HAVE NOT CONVEYED INFO REFTEL C TO BDG, BELIEVING IT WOULD GREATLY CONFUSE WHAT WE THINK MUST BE CONSIDERED TWO WHOLLY SEPARATE ISSUES: DISINVESTMENT AND COMPENSATION. OPIC (AND BELBAGCO'S) CONCERNS THAT BDG SEE A POSSIBLE RELATIONSHIP BETWEEN THESE TWO QUESTIONS ARE INDEED WELL-FOUNDED. INDUSTRIES JOINT SECRETARY ABEDIN ASKED ECON COUNSELOR AND RLA IF BELBAGCO OR OPIC WOULD CARE TO ACCEPT RETURN OF BFC (IN EFFECT IN LIEU OF COMPENSATION). WE VOICED TO ABEDIN CATEGORICAL ASSURANCE (PER PARA 4, REFTEL A) THAT NEITHER OPIC NOR BELBAGCO HAD ANY INTEREST WHATSOEVER IN TAKING POSSESSION OF BFC. AGAINST THIS BACKGROUND, AN EXPRESSION OF WILLINGNESS TO MANAGE BFC BY BELBAGCO (PER REF C) WOULD LEAD BDG, WE BELIEVE, TO REOPEN POSSIBILITY OF RETURN OF BFC TO BELBAGCO AND DELAY PROGRESS TOWARD PAYMENT OF COMPENSATION.

5. FYI. WE HAVE, IN PAST, EXPLAINED TO BDG OFFICIALS RELATIONSHIP OF (1) US LEGAL REQUIREMENTS GOVERNING US ASSISTANCE, AND (2) PAYMENT OF COMPENSATION BY RECIPIENT COUNTRIES. AGAINST THIS BACKGROUND, WE DO NOT DOUBT THAT THE BDG WILL PAY COMPENSATION. HOW, WE ARE ASKED TO SUGGEST TO THE BDG THAT, IN ADDITION TO PAYING US COMPENSATION, THE MIGHT WISH TO CONTINUE TO OPERATE BFC (AT A LOSS) SO THAT A US FIRM WHICH HAS REFUSED TO ACCEPT THE RETURN OF WHAT HAD BEEN ITS PROPERTY, MAY PURCHASE THE PLANT'S OUTPUT AT LESS THAN THE COST OF PRODUCTION, WHILE PROVIDING MANAGEMENT ASSISTANCE. WE THINK IT MAKES LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 DACCA 01171 01 OF 02 090256Z

EXCELLENT SENSE FOR THE BDG TO AUCTION BFC AT ANY PRICE TO ANY PRIVATE BUYER WILLING TO TRY TO MANAGE IT. THE SOCIAL COST OF CONTINUING TO OPERATE SUCH BDG-MANAGED PLANTS IS ENORMOUS (DACCA 791). IF NO BUYERS COME FORWARD, AS BELBAGCO JUDGES LIKELY, THEN THE BDG MAY DECIDE WHETHER TO EARN FOREIGN EXCHANGE AT A LOSS (EFFECTIVE DEVALUATION), TO CLOSE THE PLANT, OR TO MAKE SOME OTHER ARRANGEMENT. PROVIDED OPIC IS COMPENSATED, WE BELIEVE THAT WHAT THE BDG DOES WITH BFC IS ENTIRELY THEIR BUSINESS. END FYI.

6. BDG HAS PAID COMPENSATION TO SEVERAL CLAIMANTS (SEE 76 DACCA 3389). THERE IS ABOUT \$2.5 MILLION EQUIVALENT IN THE FY 1977 BUDGET FOR SUCH PAYMENTS THIS FISCAL YEAR. ABEDIN HAS PROMISED TO SUPPLY US WITH A FULL LIST OF FIRMS COMPENSATED, WHICH WE WILL TRANSMIT BY AIRGRAM WHEN RECEIVED.

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 DACCA 01171 02 OF 02 090301Z
ACTION OPIC-06

INFO OCT-01 NEA-10 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 SP-02
LAB-04 SIL-01 OMB-01 SS-15 NSC-05 L-03 H-01 /080 W
-----090339Z 080003 /73

R 070905Z MAR 77
FM AMEMBASSY DACCA
TO SECSTATE WASHDC 3759

LIMITED OFFICIAL USE SECTION 2 OF 2 DACCA 1171

7. BDG CONCERN OVER FUTURE CLAIMS. WHILE IT MUST APPEAR THAT BDG CONCERNS OVER FUTURE CLAIMS ARE EXAGGERATED, EVEN PARANOID (PARA 1A, REFTEL A), THE BACKGROUND DOES EXPLAIN THESE CONCERNS. DURING THE PAKISTAN PERIOD (1947 TO 1971), PER CAPITA INCOMES ROSE FASTER IN WEST PAKISTAN THAN IN EAST PAKISTAN AND THERE WAS A TRANSFER OF REAL RESOURCES FROM THE POORER EAST TO THE RICHER WEST. MUCH OF THE ECONOMIC DEVELOPMENT EFFORT OF THE PERIOD WAS CONCENTRATED IN THE WEST, ALTHOUGH SOME SUCCESS AT A MORE EQUITABLE DIVISION WAS ACHIEVED TOWARD THE END OF THE PERIOD. IN THE POPULAR, BANGLADESHI VIEW THE WEST PAKISTANI POLITICAL LEADERS OF THE PERIOD EXPLOITED EAST PAKISTAN. PARALLEL WITH THESE OFFICIAL ECONOMIC DEVELOPMENT POLICIES AND POLITICAL DOMINATION, MUCH OF THE DEVELOPMENT EFFORT CARRIED OUT IN THE PRIVATE INDUSTRIAL SECTOR IN EAST PAKISTAN WAS UNDERTAKEN BY WEST PAKISTANI BUSINESSMEN. SO PRIVATE SECTOR DEVELOPMENT IN EAST PAKISTAN ENRICHED NON-BENGALIS, AND THIS GAVE RISE TO CONSIDERABLE RESENTMENT. IN A MODERN ECONOMY AN INFLUX OF FOREIGN CAPITAL MAY BE WELCOMED TOGETHER WITH THE EXPERTISE THAT IT BRINGS. THE REWARDS TO CAPITAL MAY BE LOW COMPARED WITH THE WAGES PAID OUT IN RESPECT OF THE EMPLOYMENT CREATED. BUT IN A POOR UNDERDEVELOPED COUNTRY THE SHARE OF WAGES IS OFTEN

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 DACCA 01171 02 OF 02 090301Z

MUCH SMALLER THAN IN COUNTRIES WITH A LARGE SUPPLY OF

CAPITAL, AND IN CONDITIONS OF NEAR MONOPOLY AND PROTECTION, MUCH OF THE ADVANTAGE OF DEVELOPMENT MAY GO TO CAPITALISTS AND WITH IT THE OPPORTUNITY FURTHER TO EXPAND THEIR EMPIRE BY REINVESTMENT, OR TO SALT CAPITAL AWAY ABROAD. THESE EFFECTS ARE IMPORTANT BOTH BECAUSE THEY CAUSED RESENTMENT AND BECAUSE THEY HAVE A BEARING ON THE UNSETTLED QUESTION OF THE CLAIMS THAT BANGLADESH IS MAKING ON PAKISTAN FOR COMPENSATION FOR LOSSES AND IN EFFECT TO SECURE SOME OF THE ASSETS THAT PREVIOUSLY WERE OWNED IN COMMON BUT NOW ARE IN THE HANDS OF PAKISTAN.

8. WE HAVE DESCRIBED THIS BACKGROUND AT CONSIDERABLE LENGTH IN AN EFFORT TO EXPLAIN THAT THE BANGLADESHI COMMITMENT TO RECOVERING SOME OF WHAT THEY BELIEVE WAS TAKEN FROM THEM IS EXTREMELY STRONG. BDG OFFICIALS TAKE ONLY WITH THE VERY GREATEST RELUCTANCE ANY MOVE THAT COULD CONCEIVABLY RISK THEIR ABILITY TO PRESS THEIR CLAIMS FOR A DIVISION OF ASSETS. THIS HAS, GIVEN THE WEST PAKISTANI CONNECTION, BEEN THE MAJOR DIFFICULTY IN PERSUADING THE BDG TO AGREE TO COMPENSATE OPIC AT ALL. IF AN INDEMNITY AGREEMENT IS UNACCEPTABLE TO OPIC (PARA 1A, REF A), WE WILL HAVE TO FIND SOME WAY TO MEET THIS CONCERN BEFORE A FINAL SETTLEMENT CAN BE REACHED (SEE ALSO 76 DACCA 5033, PARA 8).
MASTERS

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: NATIONALIZATION, COMPENSATION, BUSINESS FIRMS
Control Number: n/a
Copy: SINGLE
Sent Date: 07-Mar-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977DACCA01171
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770080-0429
Format: TEL
From: DACCA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770387/aaaacysu.tel
Line Count: 195
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 815a81bc-c288-dd11-92da-001cc4696bcc
Office: ACTION OPIC
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 STATE 30903
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 18-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3190085
Secure: OPEN
Status: NATIVE
Subject: BELBAGCO: NATIONALIZATION COMPENSATION
TAGS: EINV, BG, BELBAGCO INC
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/815a81bc-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009